

Message Text

UNCLASSIFIED

PAGE 01 WELLIN 03012 01 OF 03 110127Z

63

ACTION EA-09

INFO OCT-01 EUR-12 IO-13 ISO-00 AID-05 CIAE-00 COME-00

EB-07 FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04

OPIC-06 SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 AGR-10 OES-06 PA-02 PRS-01 /134 W

----- 078313

R 102351Z AUG 76

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 1833

INFO AMEMBASSY CANBERRA

USMISSION GENEVA

USDEL MTN GENEVA

USMISSION OECD PARIS

UNCLAS SECTION 1 OF 3 WELLINGTON 3012

E.O. 11652: N/A

TAGS: EALR, EFIN, ECON, NZ

SUBJECT: MILDOON'S BUDGET SATISFIES MOST SECTORS SOME BUT PROVIDES
GRIST FOR THE CRITICS MILL

REF: WELLINGTON 2863

1. SUMMARY: THERE IS QUITE GENERAL ACCEPTANCE OF THE MEASURES CONTAINED IN THE FY-77 BUDGET. THE BUDGET DID NOT HURT THE AVERAGE WAGE EARNER'S INCOME. HELP FOR FARM OWNERS, PROSPECTIVE HOME OWNERS AND LOWER INCOME GROUPS HAS HELPED QUIET THEIR CRITICISM. THERE IS PUBLIC UNDERSTANDING OF THE NEED FOR TAXES AND DUTIES ON SOME LUXURIES AND OTHER ITEMS TO REDUCE CONSUMPTION, LOWER PRIORITY INVESTMENT, AND IMPORTS. THE BUDGET'S ATTEMPT TO BALANCE THE NEED TO REDUCE ECONOMIC ACTIVITY IN THE SHORT RUN WITH THE DANGER OF LEADING THE COUNTRY INTO A RECESSION, HAS BEEN STRESSED. FARMERS AND INDUSTRIALISTS ARE REACTING FAVORABLY TO THE INCENTIVES TO BOOST EXPORTS. BUT THIS WILL TAKE TIME. OPPOSITION SPOKESMEN

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 WELLIN 03012 01 OF 03 110127Z

ARE HAVING ONLY MINOR SUCCESS IN CRITICIZING THE

BUDGET. PROTECTION OF NEW ZEALAND'S FISHERIES RESOURCES
IS RECEIVING MORE ATTENTION. END SUMMARY.

2. THE BIG ANNUAL EVENT - THE BUDGET - WHICH IS
PRECEDED EACH YEAR IN NEW ZEALAND BY INTERMINABLE SPECULATION
AND PROPHECYING WAS ESPECIALLY TOPICAL THIS YEAR. FIRST,
THIS WAS THE FIRST BUDGET FOLLOWING THE LAND-SLIDE VICTORY OF
THE NATIONAL PARTY AFTER A BITTERLY FOUGHT ELECTION CAMPAIGN
WHERE THE MAIN ISSUES WERE THE CHARGES BY THE NATIONAL PARTY
LEADER, R.D. MULDOON, OF DESASTROUS MISMANAGEMENT OF THE
ECONOMY BY THE LABOUR GOVERNMENT. SECOND, SINCE MR.
MULDOON'S ASCENT TO THE PRIME MINISTERSHIP (ALSO TAKING THE
FINANCE MINISTER PORTFOLIO) HE HAS ISSUED A SERIES OF "MINI-
BUDGETS" WITH FAR REACHING ECONOMIC IMPACT. BUT THE FY-77
BUDGET WHICH P.M. MULDOON RATHER OMINOUSLY HAD ANNOUNCED WOULD
BE DELAYED UNTIL LATE JULY OR EARLY AUGUST (CONTRARY TO LABOUR
GOVERNMENT PRACTICE OF PRESENTING IT IN MAY OR JUNE) WAS TO BE
THE "PIECE DE RESISTANCE" IN MULDOON'S BAG OF ECONOMIC CURES.
FURTHERMORE, MR. MULDOON CAUTIONED BEFOREHAND THAT THE BUDGET
WOULD BE ONE OF THE MOST COMPLEX EVER PRESENTED IN NEW ZEALAND
AND DIFFICULT FOR THE AVERAGE MAN TO UNDERSTAND.

3. THOUGH IT DID TAKE A DIFFERENT APPROACH TO DEALING
WITH NEW ZEALAND'S ECONOMIC ILLS AND WAS MUCH LONGER THAN THE
PREVIOUS LABOUR GOVERNMENT BUDGETS, THE AVERAGE NEW
ZEALANDER WASN'T TOO INTERESTED IN SEARCHING FOR ABSTRUSE
ECONOMIC PRINCIPLES AND INFLUENCES IN THE BUDGET. HE
LOOKED FIRST FOR THOSE THINGS WHICH HE COULD IDENTIFY AS
DIRECTLY ADVERSELY AFFECTING HIM, SECONDLY FOR THOSE
THINGS WHICH MIGHT BENEFIT HIM AND, THIRDLY, FOR THOSE PARTS
OF THE BUDGET WHICH EITHER CLEARLY OR PRESUMEDLY MIGHT
BENEFIT SOMEONE ELSE MORE THAN HIM. HE HAS BEEN RELIEVED
TO FIND THAT, OTHER THAN HIGHER PRICES FOR CIGARETTES,
ALCOHOL AND A FEW OTHER ITEMS, THERE WAS NOT MUCH ELSE WHICH
REPRESENTED A CLEAR IMMEDIATE SETBACK IN HIS DAILY WAY OF
LIFE. AN INCREASE IN INCOME TAXES WHICH HE FEARED DIDN'T
MATERIALIZE. HE MIGHT NOW HAVE TO DELAY BUYING A NEW RADIO,
TV SET OR A LARGER OUTBOARD MOTOR FOR HIS BOAT. SOME NEW
ZEALANDERS WILL REGRET THE 10 PER CENT HIGHER COST FOR THAT
PLANNED OVERSEAS TRIP. BUT THE TAKE HOME PAY OF THE AVERAGE
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 WELLIN 03012 01 OF 03 110127Z

WORKER HASN'T BEEN MUCH AFFECTED. LOWER INCOME GROUPS - MOSTLY
AMONG THE YOUNG AND THE AGED, ARE A LITTLE BETTER OFF. THE
TAX REBATE EFFECTIVE OCTOBER 1 FOR YOUNG FAMILIES WITH AT LEAST
ONE CHILD UNDER 5 YEARS WILL REPRESENT A BOOST IN WEEKLY TAKE
HOME PAY FOR THOSE IN THE \$100 PER WEEK CLASS. ALSO, INCREASED
SOCIAL SECURITY BENEFIT WILL HELP BENEFICIARIES BETTER TO COPE
WITH INFLATION. THE CHANGES IN THE HOME OWNERSHIP SAVINGS
SCHEME AND NEW FIVE YEAR HIGHER INTEREST HOUSING BONDS BRING

THE DREAM OF EVENTUALLY OWNING A HOME A LITTLE MORE WITHIN THE
GRASP OF MANY. (AND PRIVATE ENTERPRISE IS AGAIN TO PLAY
A DOMINANT ROLE IN SUPPLYING THE NEW HOUSING MARKET AND THE
PRIVATE BANKING AND FINANCE SYSTEM MORE FUNDS FOR LOANS.)

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 WELLIN 03012 02 OF 03 110136Z

63

ACTION EA-09

INFO OCT-01 EUR-12 IO-13 ISO-00 AID-05 CIAE-00 COME-00

EB-07 FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04

OPIC-06 SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 AGR-10 OES-06 PA-02 PRS-01 /134 W

----- 078367

R 102351Z AUG 76

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 1834

INFO AMEMBASSY CANBERRA

USMISSION GENEVA

USDEL MTN GENEVA

USMISSION OECD PARIS

UNCLAS SECTION 2 OF 3 WELLINGTON 3012

4. BUT NOT ALL WERE HAPPY WITH THE BUDGET. THE PRESIDENT
OF THE FEDERATION OF LABOUR, SIR TOM SKINNER POINTED OUT
THAT THERE WERE NO PRICE CONTROLS AND NO INDICATION THAT
THE GOVERNMENT INTENDED TO HOLD COSTS. "THE WAGE-EARNER
IS CARRYING THE BURDEN OF GOVERNMENT POLICIES". HE PREDICTED
LABOR UNREST. THE PRESIDENT OF THE NZ ROAD TRANSPORT
ASSOCIATION COMPLAINED THAT ROAD AND BRIDGE PROBLEMS HAD BEEN
"COMPLETELY IGNORED". EDUCATION AND HELTH INTEREST GROUPS
WERE DISAPPOINTED THAT THEIR SHARE WASN'T GREATER. THERE
WERE OTHER COMPLAINTS. BUT BY-AND-LARGE, OTHER THAN THE
EXPECTED STRONG - BUT NOT TOO CONVINCING - CRITICISM OF THE
OPPOSITION LABOUR PARTY SPOKESMEN (OPPOSITION LEADER, MR.
ROWLING, BRANDED THEBUDGET THE WORK OF "TIRED MEN, BEREFT OF
POLICY AND PHILOSOPHY"), COMMENT HAS BEEN RELATIVELY MILD.
SUCH STATEMENTS AS "A NON-EVENT-, OR "SURPRISINGLY LENIENT"
OR "TOUGH BUT FAIR" HAVE APPEARED IN EDITORIAL COMMENTS.

5. EFFORTS OF THE LABOUR OPPOSITION DURING THE CURRENT
PARLIAMENTARY DEBATE TO PUT ITSELF UP AS SPOKESMEN OF
THE DIFFERENT SECTORS WHICH MAY FEEL THEIR INTERESTS HAVEN'S
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 WELLIN 03012 02 OF 03 110136Z

BEEN GIVEN PROPER TREATMENT HAVE SO FAR LARGELY MET WITH LITTLE
SUCCESS. DISRUPTIVE TACTICS HAVE FAILED.
ONE ATTEMPT TO INTERRUPT DEBATE ON THE BUDGET BY
INTRODUCING AND DEBATING A PRIVATE MEMBER'S BILL ON THE
NUCLEAR FREE ZONE WAS
QUICKLY COUNTERED BY MR. MULDOON BY TAKING URGENT DEBATE ON THE BUDGET
DEBATE. THOUGH THIS IS A STEP NORMALLY TAKEN ONLY NEAR THE END
OF AN EXTENDED DEBATE ON AN URGENT MATTER, THE LACK OF PUBLIC
CLAMOR OVER THIS UNORTHLY MANEUVER BY MULDOON SHOWED CLEARLY
LABOUR'S INABILITY TO GENERATE GENERAL PUBLIC SUPPORT FOR LABOUR
IN THE BUDGET DEBATE.

6. IN SPITE OF THE CRITICISMS OF OMISSIONS OR DEFICIENCIES
OF CERTAIN OF THE MEASURES TO ENCOURAGE INCREASED FARM PRODUCTION,
AFTER CAREFUL STUDY MOST FARM GROUPS ACKNOWLEDGED THAT THE
LIVESTOCK RETENTION INCENTIVE SCHEME IS "INNOVATIVE" AND
HELPFUL. IT IS ESTIMATED THAT, AT A COST OF \$90 MILLION OVER 8
YEARS, IT WILL BRING ABOUT AN INCREASE OF 9 MILLION HEAD OF
LIVESTOCK BY 1980 AND SHOULD ADD \$170 MILLION IN ANNUAL INCOME.
THOSE FARMERS WHOSE PROPERTY IS CARRYING STOCK BELOW CAPACITY ARE
GIVEN SPECIAL INCENTIVES. CRITICISM OF THE REDUCTION IN THE
FERTILIZER SUBSIDY WAS STRONG, BUT THE OVERALL CHANGES IN
SUBSIDY SCHEMES HAS ENABLED THE GOVERNMENT TO CUT BACK
SIGNIFICANTLY ON THE ESTIMATED CURRENT YEAR \$110 MILLION COST.

7. WITH PROPERTY VALUES HAVING RISEN STEEPLY DURING THE
PAST THREE YEARS, THE LARGE GROWTH IN ESTATE DUTIES HAS BEEN
AN INCREASING DETERRENT IN MAINTAINING FAMILY FARMS AS
OPERATING UNITS. Raising the minimum value from \$12,000 to
\$25,000 ON WHICH DUTIES ARE PAID, WITH A MAXIMUM RATE OF
40 PER CENT ON PROPERTY VALUED OVER \$225,000 (INSTEAD OF THE
FORMER \$150,000) HAS BEEN PRAISED. PUTTING FARM HOMESTEADS
IN A CATEGORY SIMILAR TO JOINT FAMILY HOMES WILL OVERCOME
A SERIOUS INEQUITY WORKING AGAINST FARM ESTATES. DOUBLING
THE NON-DUTYABLE LEVEL OF GIFTS TO \$8,000 PER YEAR HAS ALSO
BEEN COMMENTED FAVORABLY ON. IT WILL BE A FURTHER HELP TO
RETAINING FARM UNITS.

8. THOUGH SEVERAL MEASURES IN THE BUDGET WERE AIMED AT
ENCOURAGING INVESTMENT FOR EXPANSION OF MANUFACTURED
EXPORTS, INVESTMENT FOR OTHER PURPOSES WAS GENERALLY DISCOURAGED
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 WELLIN 03012 02 OF 03 110136Z

BY SUCH MEASURES AS THE 10 PER CENT SALES TU ON MACHINERY. THERE IS CONSIDERABLE UNUSED PLANT CAPACITY FOR DOMESTIC CONSUMPTION AT THIS TIME. THEREFORE THE GOVERNMENT FEELS AS A MEANS OF TEMPORARILY REDUCING IMPORTS, INVESTMENT IN NEW PLANT FOR THESE PURPOSES CAN BE DELAYED.

9. THE RUMORED WIDESPREAD INCREASE IN IMPORT DUTIES OR AN EXTENSION OF LICENSING OR THE IMPORTANT DEPOSIT SCHEME DIDN'T HAPPEN. THE BUDGET WAS QUITE EVIDENTLY CONSTRUCTED TO ATTEMPT TO ACHIEVE A REDUCTION IN IMPORTS WITHOUT IMPOSING NEW DIRECT IMPORT RESTRICTIONS.

10. IN ADDITION TO GIVING SPECIAL INCENTIVES TO ENCOURAGE GROWTH IN THE FISHING INDUSTRY ESPECIALLY FOR EXPORT, THE BUDGET ANNOUNCEMENT OF THE \$1,000 TO \$5,000 TAX ON FOREIGN FISHING BOATS CALLING AT NEW ZEALAND PORTS WAS A CLEAR SIGN OF THE GROWING ATTENTION THAT THE GOVERNMENT IS GIVING TO FOREIGN OWNED FISHING IN THE SEAS AROUND NEW ZEALAND. IT CAN ALSO BE USED AS A BARGAINING LEVER TO GET MORE FAIR TREATMENT FOR NEW ZEALAND EXPORTS TO SUCH COUNTRIES AS JAPAN.

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 WELLIN 03012 03 OF 03 110142Z

63

ACTION EA-09

INFO OCT-01 EUR-12 IO-13 ISO-00 AID-05 CIAE-00 COME-00

EB-07 FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04

OPIC-06 SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 AGR-10 OES-06 PA-02 PRS-01 /134 W

----- 078406

R 102351Z AUG 76

FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 1835

INFO AMEMBASSY CANBERRA

USMISSION GENEVA

USDEL MTN GENEVA

USMISSION OECD PARIS

UNCLAS SECTION 3 OF 3 WELLINGTON 3012

11. THOUGH REDUCTIONS IN GOVERNMENT EXPENDITURES ANNOUNCED EARLIER IN THE DIFFERENT "MINI-BUDGETS" IN SUCH FIELDS AS EDUCATION AND PUBLIC HEALTH, THE BUDGET FOR FY-77 SHOWS AN INCREASED SHARE OF THE BUDGET DEVOTED TO THESE AREAS. EDUCATION AND HEALTH EACH ARE INCREASED BY 10 PER CENT OVER FY-76, (VS. AN OVERALL BUDGETARY INCREASE OF ONLY 4.8 PER CENT). SOCIAL SERVICES EXPENDITURES ARE INCREASED 19 PER CENT. ON THE OTHER HAND, SUPPORT FOR THE DEVELOPMENT OF INDUSTRY REDUCED NEARLY 5 PER CENT (THOUGH EXPENDITURE IN ELECTRIC POWER GENERATION AND MINES DEVELOPEMENT INCREASED BY 20 PER CENT AND 109 PER CENT RESPECTIVELY) TRANSPORT AND COMMUNICATION WAS ALSO DECREASED, BY 26 PER CENT; DEFENSE, INCREASED BY 14.5 PER CENT.

12. THE REDUCTION IN THE GOVERNMENT BUDGET DEFICIT (DOWN FROM \$1,001.7 MILLION FOR FY-76 TO \$847 MILLION FOR FY-77) IS SHORT OF THE REDUCTION DESIRED. BUT WHEN VIEWED AGAINST THE BACKGROUND OF THE EXPLODING DEFICIT (FROM \$390.4 MILLION FOR FY-75 TO AN ANTICIPATED - UNDER THE LABOUR GOVERNMENT - \$1,200 MILLION FOR FY-76, A 207 PER CENT JUMP, AND A PROJECTED \$1,400 MILLION FOR FY-77) THE FEAT IN TURNING THIS ALARMING GROWTH IN THE DEFICIT UNCLASSIFIED

UNCLASSIFIED

PAGE 02 WELLIN 03012 03 OF 03 110142Z

INTO A MODERATE DECREASE CAN BE MORE FULLY APPRECIATED. THERE WAS CONCERN THAT TO REDUCE THE DEFICIT FURTHER MIGHT PUSH THE ECONOMY INTO A DEEP RECESSION WITH LARGE UNEMPLOYMENT. AN INDICATION OF THIS CONCERN IS EVIDENT FROM THE 43 PER CENT INCREASE IN THE LABOUR DEPARTMENT'S FUNDS. FUNDS FOR EMPLOYMENT PROMOTION AND TRAINING ALONE ARE INCREASED 136 PER CENT. THEY MAKE UP 70 PER CENT OF THE LABOUR DEPARTMENT BUDGET.

13. FOLLOWING THE MAY 14 WAGE FREEZE THERE HAVE BEEN INCREASING INDUSTRIAL DISRUPTIONS BY MILITANT LABOR UNIONS TO FORCE EMPLOYERS TO ASK THE WAGE TRIBUNAL FOR AUTHORITY TO INCREASE WAGES. THE "EXCEPTIONAL CIRCUMSTANCES" CAVEAT AGREED TO BY THE GOVERNMENT IN THE JUNE AMENDMENT OF ITS MAY 14 WAGE FREEZE ORDER COULD ALLOW THIS. THERE IS GROWING CONCERN THAT IF ONE UNION IS SUCCESSFUL, THERE WILL FOLLOW A SERIES OF WAGE INCREASES, RENDERING THE WAGE FREEZE INEFFECTIVE. IN A SPEECH THE PRIME MINISTER GAVE ON AUGUST 6 ON THE BUDGET HE STRESSED THE IMPORTANCE TO OTHER MEASURES IN THE BUDGET OF MAINTAINING THE PRESENT WAGE FREEZE. HE CAUTIONED THAT IF WAGES START TO RISE INFLATIONARY PRESSURES WILL NOT SUBSIDE.

14. THOUGH THE EXPECTED HARD HITTING BUDGET WITH A HEFTY PUNCH FOR EVERYONE DIDN'T MATERIALIZE, THE PRIME MINISTER HAS

PROMISED MORE MINI-BUDGETS AS NECESSARY TO KEEP THE ECONOMY
MOVING IN THE RIGHT DIRECTION. THESE, ALONG WITH OTHER MEASURES
THE GOVERNMENT WILL BE TAKING TO KEEP NUDGING THE ECONOMY BACK
INTO BALANCE COULD STILL PACK SOME HARD PUNCHES WHERE NEEDED.

15. COPIES OF THE BUDGET HAVE BEEN ENT TO WASHINGTON
AGENCIES UNDER THE CERP PUBLICATIONS REPORTING SCHEDULE.
SELDEN

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT BUDGET
Control Number: n/a
Copy: SINGLE
Draft Date: 10 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976WELLIN03012
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760308-0419
From: WELLINGTON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760866/aaaacgcu.tel
Line Count: 339
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 WELLINGTON 2863
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 22 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 MAR 2004 by ReddocGW>; APPROVED <18 JAN 2005 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MILDOON'S BUDGET SATISFIES MOST SECTORS SOME BUT PROVIDES GRIST FOR THE CRITICS MILL
TAGS: EALR, EFIN, ECON, NZ, (MULDOON, ROBERT D)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006